



NEWS

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Supreme Court upholds cyclical property tax revaluation in business curtailment case

OLYMPIA, Wash., Dec. 8, 2005 — Counties that revalue properties on a four-year cycle cannot adjust the taxable value of a business that curtails its operations in mid-cycle, the Washington State Supreme Court ruled today.

The court said Advanced Silicon Materials LLC (ASiMI) could not mount a mid-cycle challenge of the assessed valuation of its Moses Lake plant, which made high-grade silicon for computer chips.

The Grant County Assessor had set the taxable value of the plant at \$209 million in 1999 for taxes due in 2000 through 2003. Due to deteriorating market conditions, the company contended that the plant was worth no more than \$9.4 million by 2002. It sought a \$2.5 million refund of property taxes paid in 2003.

Grant County and 17 other counties operate on a four-year valuation cycle in which they revalue a quarter of properties each year. With few exceptions, the assessed value of properties does not change between revaluations. Nineteen counties revalue all properties annually, while two others operate on two- and three-year cycles.

A Kittitas County Superior Court judge ruled that Grant County must adjust the assessed value of the property between cycles to reflect the diminished value of the plant. The county appealed directly to the Supreme Court. The Department of Revenue filed a brief supporting the county's

position that the taxable value of the plant could not be adjusted until its regularly scheduled revaluation year of 2003. It said the law contained no provision for adjusting values out-of-cycle due to difficult market conditions.

The cyclical revaluation process must be systematic to meet the state constitution's uniformity clause, the Department argued, and mid-cycle challenges would disrupt uniformity by allowing businesses and other property owners to seek lower valuations when markets are weak while letting lower valuations stay on the books when business is booming.

In its 5-4 ruling, the Supreme Court agreed that to be fair, a cyclical revaluation program must be systematic so property owners are subjected equally to its benefits and burdens.

"We have repeatedly said that, if the 4-year revaluation program is conducted in an orderly manner and pursuant to a regular plan, and if it is not done in an arbitrary, capricious or intentionally discriminatory manner, then it does not violate the constitution nor does any incidental inequity which flows from it. A program is not invalid just because it is imperfect; minor discrepancies will be tolerated in an otherwise acceptable statewide system," the Court said.

Had the court ruled against the county, property tax burdens would have shifted to other taxpayers in the county.

In late 2002, ASiMI, a subsidiary of Japan's Komatsu Ltd., entered into a partnership with Solar Grade Silicon to convert the plant to produce silicon for solar panels. The plant was valued at \$25 million valuation during the county's 2003 revaluation of the area.

The complete ruling is available at
<http://www.courts.wa.gov/opinions/?fa=opinions.opindisp&docid=756414MAJ>

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